



U.S. Department of Justice

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News Release

Glenn T. Suddaby, United States Attorney for the Northern District of New York, announced today that MICHAEL J. LAWLER, age 55, of Solvay, New York, pled guilty to a prosecutor's Information charging him wire fraud in violation of federal criminal law. The guilty plea was entered in United States District Court, Utica, New York before Judge David N. Hurd. If his plea and cooperation agreement is accepted by the Court, LAWLER faces a maximum term of up to 1 year and 1 day in prison; 1 year supervised release, and a \$250,000 fine.

According to the facts of the case, which are outlined in the plea and cooperation agreement, LAWLER was the Director of Operations for Penny Curtiss Baking Co. of Syracuse, New York. Penny Curtiss was a subsidiary of the Penn Traffic Company, a company engaged in the business of operating supermarkets in Ohio, West Virginia, Pennsylvania, upstate New York, Vermont and New Hampshire. Penn Traffic is headquartered in Syracuse, New York.

As the Director of Operations, MICHAEL J. LAWLER was responsible for reporting monthly financial performance figures of Penny Curtiss to Penn Traffic. In that capacity, from approximately 1999 through August 2002, LAWLER knowingly and willfully executed a scheme to defraud Penn Traffic stockholders, bondholders and others by making false and fraudulent statements and representations in the monthly reports which were calculated to deceive Penn Traffic shareholders and the public regarding the true financial condition of Penny Curtiss. The false and fraudulent statements including the following: 1) inflated sales figures; 2) reduced expense figures; 3) pre-booked sales figures prior to

delivery of the product in question to give an inflated appearance of profitability; and 4) inflated inventory numbers, which collectively resulted in overstating the earnings of Penny Curtiss and Penn Traffic by as much as \$11,000,000 over a three-year period. These false and fraudulent statements were incorporated in Penn Traffic's public financial statements, and accessible to Penn Traffic shareholders throughout the United States via the internet.

Following his guilty plea, LAWLER was released on bail pending sentencing which has been scheduled by the Court on January 13, 2006, in Utica, NY.

The charges against LAWLER follow an investigation by the Federal Bureau of Investigation, under the direction of Special Agent in Charge William Chase, and the United States Securities and Exchange Commission, under the direction of Regional Director Mark K. Schonfeld. The investigation of accounting practices of Penn Traffic and related entities is ongoing; but the U.S. Attorney's Office will make no further comments about the continuing investigation at this time. Further inquiries regarding today's plea can be directed to Assistant U. S. Attorney Stephen Green, Syracuse, New York at (315) 448-0672.

END OF NEW RELEASE
